

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, July 18, 2007 – 2:00 p.m. – Room W135 House Building

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. John Dougall, House Chair
Sen. Howard A. Stephenson
Rep. Ralph Becker
Rep. Tim M. Cosgrove
Rep. Craig A. Frank
Rep. Gage Froerer
Rep. Wayne A. Harper
Rep. Gregory H. Hughes
Rep. Bradley G. Last
Rep. Carol Spackman Moss
Rep. Aaron Tilton
Rep. Stephen H. Urquhart

Members Absent:

Sen. Curtis S. Bramble
Sen. Mike Dmitrich
Sen. Brent H. Goodfellow
Pres. John L. Valentine
Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold
Rep. Gordon E. Snow

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Dougall called the meeting to order at 2:21 p.m. He excused Rep. McGee from the meeting.

Due to lack of a quorum, the minutes were not approved.

Mr. Dean distributed and discussed "Monthly Revenue Summary - Twelve Months FY2006-07." He said that preliminary fiscal year 2007 actual revenue collections exceeded target revenues forecasted in February 2007 by \$260.76 million with \$182 million coming from individual income taxes and corporate franchise and income taxes, and \$82 million coming from sales and use taxes.

2. Transportation Taxes

Rep. Harper introduced this issue. He explained that the state motor fuel excise tax is quickly becoming insufficient to fund highway construction and maintenance needs.

Ms. Shannon Halverson, Associate General Counsel, Office of Legislative Research and General Counsel, distributed "Utah's Fuel Taxes." She explained that the state motor fuel excise tax is based on number of gallons used and is the primary source of Transportation Fund revenue. Ms. Halverson explained that fuel tax revenues do not grow with inflation, transportation construction costs are quickly rising, vehicle miles traveled are increasing, and vehicles are becoming more fuel efficient or converting to alternative fuels. She said this creates a problem because fuel taxes are an important factor for transportation funding.

Ms. Halverson discussed several options the Legislature could implement to increase revenues for the Transportation Fund.

Mr. Royce Van Tassell, Vice President, Utah Taxpayers Association, distributed and discussed "The Utah Taxpayers Association's Transportation Proposal." He said that congestion on Utah's highways results in \$257 million in lost productivity each year. He discussed four options to maintain Utah's transportation infrastructure: increase the gas tax by \$0.25 with a commensurate reduction in the individual income tax to offset the cost; implement rush hour pricing; prioritize transportation projects based on the effectiveness of reducing congestion; and preserve transportation corridors.

Mr. Doug Macdonald, Executive Director, Utah Issues, distributed and discussed "U.S. Average Annual Expenditures by Quintile and Type" and "Utah Sales Tax Regressivity For the 0.75% Transit Tax Rates in Salt Lake County." He explained that raising fuel taxes would negatively impact low-income individuals.

Rep. Dougall commented that the Legislature struggles with deciding the extent to which all taxpayers compared to only direct users should pay for road and transit projects.

3. Apportionment of Business Income to Utah – Single Weighting of the Sales Factor

Sen. Stephenson introduced this issue and explained that it is a continuation of a previous discussion.

Ms. Rockwell distributed and discussed 2008 General Session draft legislation, "Apportionment of Business Income, Attributing Sales to the State, and Deduction of Net Losses by a Unitary Group." She explained that the legislation allows a taxpayer to elect to apportion business income to the state on the basis of a formula that weights the sales factor more heavily than the income or payroll factors. She said that the legislation also addresses the circumstances under which certain sales are considered to be made in the state.

Ms. Allison Rowland, Voices for Utah Children, distributed and discussed "A Boon to Economic Development?" She spoke in opposition to implementing a single weighted sales factor in Utah.

Mr. Macdonald spoke in opposition to implementing a single weighted sales factor in Utah.

4. Other Items / Adjourn

Chair Dougall adjourned the meeting at 3:31 p.m.